

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 129
MARCH 28, 2023
VIDEOCONFERENCE
10:00 – 16:02

Present: Mel Bartlett
Thierry Chamberland
Renée Couture
Simon Curtis (*joined at 10:14*)
Pierre Dionne
Steve Easson
Edward Gibson, *Chair*
Azmina Jiwani
Jamie Jocsak
Marshall Posner
Dean Newell, *ex officio*
Michel Simard, Executive Director (*left at 12:30*)

Staff: Josée Racette

Guests: François Boulé for item 6b; Tim McGorman for item 6c; Glenn Smith for item 6d; Donald Luciak and Michèle Boivin for item 6g; Alicia Rollo and Roxanne Vezina for item 8; Jacqueline Friedland for item 9; Houston Cheng for item 13; all at the invitation of the Chair.

The Chair opened the meeting.

129.1 Approval of Agenda

One item had been added under Other Business prior to the meeting.

Under Item 15, “Update from the Task Force to Review the Rules of Professional Conduct” was deleted as it was already covered under item 10.

Motion: That the agenda be approved as amended.

Carried

129.2 Previous Minutes

The minutes from the November 23, 2022, meeting were reviewed as well as the minutes from the March 1, 2023 meeting.

Motion: That the minutes of ASB meeting N° 127 held on November 23, 2022, and the minutes of ASB meeting N° 128 held on March 1, 2023, be approved as presented.

Carried

129.3 Email votes

There was one electronic vote since the last meeting.

That the Final Standards of Practice – Subsections 1510 and 1520 CPA Canada/CIA Joint Policy Statement be approved as presented, for release and with an effective date of March 31, 2023, and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.

Carried by at least 2/3 of members on December 13, 2022

129.4 Disbanding Designated and Working Groups

There were six designated or working group to disband.

That the Designated Group on IFRS 17 be disbanded with thanks.

That the Designated Group on the Role of the Actuary Under IFRS 17 be disbanded with thanks.

That the Designated Group on the Quinquennial Review of Part 4000 be disbanded with thanks.

That the Designated Group on Benefit Security be disbanded with thanks.

That the Designated Group on Meaningful Stress Testing be disbanded with thanks.

That the Designated Group on the Quinquennial Review of Part 3000 be disbanded with thanks.

129.5 Review of Action Items

All action items were reviewed. The list will be updated.

Progress against our strategic plan: It was decided that a subcommittee of the ASB be formed to assess ASB progress against the ASB strategic plan and to write a brief report.

Scope of application of SOP related to work outside Canada: The note has been published.

Pension practitioners are expressing a concern about an example in the standards that seems to be incorrect. After some discussion, it was agreed that a designated group (DG) comprised of pension and other practitioners would be formed to look at the issue and recommend a course of action (i.e., standards need to be amended or standards are fine as they are). The initial mandate would involve reviewing the standards, the Rules of Professional Conduct and relevant international standards of actuarial practice (ISAPs) and clearly identify the issue.

Motion: That the ASB create a Designated Group on the Scope of Application of the Standards to Work in Canada or Work in Another Jurisdiction.

Carried

Use of models: A draft version of the mandate would help the recruitment effort. After some discussion, the ASB decided to form an investigative group to look into the issue. It was suggested that an effort be made to recruit someone from the drafting team for the bias and fairness paper recently released by the CIA and someone with expertise in shared risk pension plans. It was also noted that the ASB due process might need to be re-examined.

Climate change and sustainability: Steve Easson provided a brief overview of the material he had prepared. Also see items 9 and 13.

129.6 Reports from Designated Groups

a) Joint Policy Statement

The accounting profession produced a Basis for Conclusions (included in the CPA Handbook). Such a document is prepared for every accounting standard and it provides the rationale for why the profession came up with the decisions.

The CIA and the ASB are of the opinion that it should not be included as part of the standards nor as an educational note. After some discussion, it was decided that a memo would be prepared (with the Basis for Conclusions as an appendix to the memo) and be posted as a related document to the memo that accompanied the memo to members when the JPS was published.

Motion: That the ASB issue a memo to members to accompany the Basis for Conclusions and that the memo be tied to the memo to members that accompanied the Joint Policy Statement.

Carried by at least 2/3 of members

b) Quinquennial Review of Part 7000

François Boulé joined the meeting for this item. He informed the ASB that the DG has met regularly and is close to finalizing an exposure draft to be presented to the ASB for approval at its May 2023 meeting.

The deadline for comments on the notice of intent ended on January 31, 2023. Only one comment was received and it related to subsequent events. After some discussion, the DG decided to address subsequent events in Part 7000 rather than in Part 1000. The rationale for doing so will be explained in the memo to members.

Other smaller changes were proposed.

A few edits were suggested.

The ASB Chair thanked François and his team for their work.

c) Reliance on Third Party Data Providers

Tim McGorman joined the meeting for this item and provided an update as follows:

- The DG has met a few times.
- After completing a review of the standards, the following third party providers were identified:
 - Bank of Canada (3540.5 and 4530.09)
 - FTSE Russell
- The primary issue is that without the indices mentioned in the standards, the actuary cannot calculate a commuted value.
- In the case of FTSE Russell, the ASB could decide to promulgate. The CIA has a contract with FTSE Russell. There could be alternative providers but it is unclear whether they would be willing to do so.
- The impact of the Government's decision to stop issuing real return bonds is not immediate, but is expected to be more substantial over the long term.
- No alternative data provider can be found for the information published by the Bank of Canada.
- There was a brief discussion on how to address an error or restatement. Perhaps changes to the standards are required to clarify the process.

The DG will report back at the next meeting.

The Chair thanked Tim and his team for their work.

d) Target Pension Arrangements

Glenn Smith joined the meeting for this item. He reported that the DG is in the preliminary stage of collecting information (e.g., minutes and relevant comments (to the work of this DG) received in the course of the work of the DG on the Quinquennial Review of Part 3000, and a summary of wind-up legislation in the various Canadian jurisdictions).

The DG is likely to propose changes to the standards but it might be difficult to find a happy medium.

The ASB asked the DG to consider whether variable payment life annuities (VPLA) should be included in the standards as, in effect, they are a target pension arrangement (TPA) without active members. If VPLA are considered, the mandate should be amended accordingly.

The ASB recommended that the Chair of the DG have a conversation with the person working for a regulator to ensure this person understands their role on the DG (full member or observer).

Motion: That Glenn Smith be appointed as Chair and that Winnie Vong be appointed as a member of the Designated Group on Target Pension Arrangements.

Carried

Motion: That the mandate of the Designated Group on Target Pension Arrangements be approved as follows:

1. To consider the provisions of Subsection 3570 regarding the calculation of settlement values payable to plan members in the event of the wind-up of a target pension arrangement and develop recommended standards of practice to apply in such situations.
2. To identify any other provisions in Section 3000 in which the unique aspects of target pension arrangements are not appropriately reflected and to develop appropriate recommended amendments to the Standards of Practice.

Carried

The ASB Chair thanked Glenn and his team for their work.

e) ISAP 6

The final standards have been published and will come into effect on June 30, 2023.

f) Subsequent Events

It was reported that the Committee on Property and Casualty Insurance Financial Reporting has identified an error in the decision tree in Part 1000 of the standards. The ASB decided, as per its due process, to create a designated group to handle the issue.

Motion: That the ASB create a Designated Group to Correct a Reference in Subsection 1420 and that Marshall Posner and Mel Bartlett be appointed as members.

Carried

g) Quinquennial Review of Part 6000

Donald Luciak and Michèle Boivin joined the meeting for this item. Renée Couture presented an update as follows:

- It was noted that Renée Couture should formally be appointed as Chair of the DG (replacing Jimmy Dang).
- The DG is recommending that applicable guidance be reviewed. Logically, this work should be undertaken by the CIA Committee on Post-Employment Benefit Plans, although the committee does not seem to be very active at the moment (and there is not currently a chair).
- A new title is being proposed. It was recommended that it be mentioned in the memo to members.
- Renée answered questions and received suggestions for improvement to the standards and the memo.

Motion: That Renée Couture be appointed as Chair of the Designated Group on the Quinquennial Review of Part 6000, effective March 31, 2022.

Carried

The Chair thanked Renée Couture and her team for their work.

129.7 Consistency of practice (discount rate)

Simon Curtis reported that he reviewed the material prepared by the previous ASB Chair and provided a brief overview. He explained that everything comes back to Part 1000 and that some aspects of discount rates will always vary by practice area.

A review of the applicable sections of Part 1000 to determine if there is too much leeway will be carried out.

The ASB must ensure that DGs are aware and take this issue (and mortality assumption) into account in the course of their work, ensuring consistency whenever possible.

129.8 Webcasts/Podcasts

Alicia Rollo and Roxanne Vezina joined the meeting for this item. The following was noted:

- Podcasts come under the responsibility of the Communications Department. Ideas are submitted and reviewed and if selected, arrangements are made to record and distribute the podcast.
- Webcasts are the responsibility of the Education Department. The process was explained. A form needs to be completed well in advance of the webcast. It was pointed out that timelines are slightly different when a webcast is being organized as part of a seminar. Announcements are distributed to CIA members four to six weeks prior to a webcast. Note: webcasts are available to members free of charge. Webcasts are a good forum for communicating and soliciting feedback. Some ways to make a webcast more engaging are: use of a panel (different points of view), and trying to engage the audience (a poll, humour, interactive tools). The Education Department can help.
- Act23: There will be a virtual and an in-person registration option. Other sessions will be recorded and the recording will be made available to the participants who chose the virtual option. The recordings will then be made available for free to all members after a period of time. There will be live streaming for a few sessions.

It was suggested that webcasts be added to the steps of the ASB due process.

The ASB Chair thanked Alicia and Roxanne for their presentation.

129.9 Update from the Climate Change and Sustainability Steering Committee

Jacqueline Friedland joined the meeting for this item. She reported on the following:

- A climate risk hub is being created.
- A statement on climate change was issued in January.
- The CIA joined a UN-related group.
- A lot of work needs to be done and if actuaries don't do it, other professions will "steal the show." It is a wonderful opportunity for those trained to evaluate risks.
- Education represents an important aspect but it is not enough and it is not just a P&C issue. Climate change also impacts mortality, investments, and other areas.

- There was a brief discussion on whether guidance or standards including climate change should come first. It is a difficult question to answer. Standards cannot be developed in isolation.
- On the international scene, the IAA Actuarial Standards Committee is setting up a designated group to develop standards to support ISSB-2 climate-related disclosure. If the ASB were to create a DG, what would its role be? Should something be mentioned in Part 1000?
- Guidance: perhaps it could be based on the IAA paper on climate scenarios.
- In 2024, OSFI will introduce a standardized stress test requirement.
- An initiative to find the actuaries currently working in the field and who might be prepared to help would be beneficial.
- On the insurance side of the profession, there is a lack of capacity (few actuaries) as people are busy with the implementation of IFRS 17.
- The steering committee was very pleased to see climate change mentioned in the educational note on financial condition testing.

The ASB Chair thanked Jacqueline for her presentation.

129.10 Conflicts of Interests/Rules of Professional Conduct

Jamie Jocsak reported that all comments received were reviewed by the task force. All relevant documents will be presented to the CIA Board at its meeting on March 29, 2023.

Documents, if approved by the CIA Board, will be released to the CIA members for ratification at the Annual General Meeting in June 2023.

The main concern expressed relates to the push into private lives. It was noted that it only applies if the member's behaviour affects the profession as a whole.

The Guidance document will be reviewed every two years.

The Chair thanked Jamie for the presentation.

129.11 ASB Terms of reference

The ASB reviewed its terms of reference recently approved by APOB.

There was a comment that Section 10.2 Conflict of interest was really weak as there is no mention of perceived conflict and no requirement to declare a conflict.

It was noted that wording on compliance with continuing professional development was added. One concern expressed was that the wording seems to suggest that one third of ASB members could be actuaries who are non compliant.

129.12 Coordination between the AGC and the ASB

Steve Easson reported that the CIA Board decision in December 2022 was close.

The discussion on this item was deferred to the May 2023 ASB meeting.

129.13 Update from the Climate Change and Sustainability Committee

Houston Cheng joined the meeting for this item. He provided an overview of the committee's activities as follows:

- The Climate Change and Sustainability Committee reports to the Practice Development Council (PDC). Houston recently became the chair.

- The work will focus on education and collaboration with other committees and external parties (how to equip actuaries and move the dial forward by integrating climate risk into our work). Some CCSC members are involved with the IAA on climate change.
- Other professions are looking to us to start doing this.
- The committee will establish formal relationships between various committees.
- Priorities are as follows:
 - OSFI B-15 guideline: CCSC and the Committee on Risk Management and Capital Requirements (CRMCR) will be looking at the guideline and determine where actuaries should play a role.
 - Education: a (virtual) symposium on climate change is being planned. Other webinars will be organized later this year during the AA Seminar and the Pension Seminar.
 - Research: what initiatives would be beneficial and how to go forward.
- It is felt that actuaries need guidance before standards. It was also noted that the committee does not have the capacity to develop educational notes. It was also noted that all need to be aware of the distinction between educational notes and practice resource documents (PRDs).
- There needs to be a mechanism in place to keep track of the various activities. It will be discussed at the next steering committee meeting.

The ASB Chair thanked Houston for his presentation.

The ASB then discussed whether a designated group should be created. It was felt to be premature but that the ASB needs to stay abreast of developments in that field. The general consensus is that guidance should come first. Discussion on the topic will resume at the May 2023 ASB meeting.

129.14 Updates from the PDC, the IAC, and the Research Council

PDC (Practice Development Council)

The PDC has a new chair.

It is developing material on the following topics:

- Bias and fairness: document expected to be published in early April.
- Risk diversification (ERM): complements SOP Part 8000. Expected to be presented to the PDC for approval in June 2023.
- Skills and knowledge inventories (SKI) for various practices are being updated.
 - AA/valuation: July 2023
 - Individual insurance: Sep 2024
 - ERM: June 2023
- A new P&C committee is being created. Their mandate was reviewed. It was suggested that an individual from this committee be recruited for the Predictive Modeling Investigative Group.

IAC (International Affairs Council)

The CIA has terminated its membership with NAAC. The CIA will favour bilateral meetings. IFRS 17: all guidance has been issued.

Climate change: work is ramping up everywhere. An alert was issued in January. Research initiatives are under way.

Environmental scanning and participation committee: sending Canadian actuaries to various conferences such as the December Caribbean Actuarial Conference. A review of different conferences in 2023 is being conducted to see where the CIA can get involved.

Communication and member engagement: a paper was released in February highlighting a number of international topics. A calendar to coordinate the release of information to members has been created.

Capacity building: discussing the best ways for the CIA to interact with foreign students at Canadian universities to ensure they retain their ties to the CIA.

Research Council

The Research Council met three times since the last ASB meeting and there was nothing significant to report.

129.15 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: No update available.

Committee on Life Insurance Financial Reporting:

Areas of interest are as follows:

- Final educational note on coverage units was approved and published.
- Explanatory report on discount rate applications was approved and published.
- Ultimate risk-free rate (URFR): CLIFR is conducting a review on how the rates past the observable period should be determined. A recommendation is expected in Q2.
- Review of existing guidance: CLIFR is reviewing existing notes with a view to determine which notes should be archived, which remain active, and which remain active but need to be updated. Various subcommittees will be created to review and updates notes that require updating.

Committee on Property and Casualty Insurance Pricing:

- The committee prepared a response on behalf of the CIA to the FSRA consultation on territorial rating.
- A practice resource document on bias and fairness will be published soon.
- Work on an educational note on reliance on the work of others is on hold.
- The committee is considering developing guidance on price optimization, machine learning and artificial intelligence.
- Recruitment is ongoing.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC):

The work being done is similar to that of CLIFR.

- Review of existing guidance
- Educational note on discounting was revised.
- A clarification on minimum capital test (MCT) was issued by OSFI and PCFRC is following up with OSFI as it creates issues for reinsurers.
- Work has begun on the fall letter.
- Two educational notes will be updated: educational note on duration and educational note on subsequent events.

Committee on Risk Management and Capital Requirements (CRMCR): No update available.

Committee on Workers' Compensation: The committee meets twice a year. Nothing to report.

Committee on Pension Plan Financial Reporting: The committee met five times since the last ASB meeting.

- It issued its annual educational note on the annuity proxy (period was extended to June 2024).
- Existing educational notes are being updated, such as:
 - Note on plausible adverse scenarios
 - Note on discount rate
 - Note on expenses
 - Note on commuted values
- One note (Ontario transfer values) will be archived.

PPFRC had a discussion about real return bonds (RRBs) but no conclusion was reached.

It was noted that an industry group has asked the government to reverse its decision. The CIA Pension Practice Committee is looking into doing something.

Some of the potential issues about the recent government decision concerning RRBs are:

- Will the liquidity of that bond be impacted?
- Can the CANSIM series be relied upon? Close monitoring of the situation is required.

Steering Committee on Climate Change and Sustainability: See item 9.

Task Force on Gender Identity: A report was submitted to the CIA Board and shared with the AGC. The report might be issued as a PRD in the near future.

The need for a cross-disciplinary educational note will be discussed at the next AGC meeting.

Task Force to Review the Rules of Professional Conduct: See item 10.

129.16 Report on Recent/Upcoming Meetings

The ASB received a report on recent meetings involving the ASB and the following was noted:

AGC meetings on December 13, 2022, January 10, February 14 and March 14, 2023

- Summaries were provided in the meeting material.
- Work is proceeding on the archiving and review of existing guidance.
- Gender identity: see item 15.
- Discussion on ways to further improve the coordination between the AGC and ASB took place.
- Educational note on applicability of rules of professional conduct and standards: pension practitioners raised an issue. A correction will be made where CIA members were erroneously referred to as members of the IAA.
- Educational notes on post-employment benefit plans: discussion will take place to clarify the requirements.

CIA/ASB/OSFI meeting on December 15, 2022

- There were no hot issues to be discussed.
- OSFI does not seem concerned about the lack of promulgation of the discount rate (IFRS 17).
- Climate change was discussed at length.

129.17 ASB Self-assessment

The results of the self-assessment will be discussed at the May 2023 ASB meeting.

129.18 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

May 4, 2023 – 10:00 a.m. - 4:00 p.m., followed by a joint session with APOB

June 20, 2023 – 10:00 a.m. - 4:00 p.m.

The meeting will be held in person in Ottawa.

129.19 Other ASB Business

Discussion on an issue raised by pension practitioners concerning the educational note on applicability or rules and standards was discussed under items 5 and 16.

There being no further business, the meeting concluded at 16:02. The next meeting of the ASB will take place on May 4, 2023, in Ottawa.